

Message Text

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71-61

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 DODE-00 PA-01 PRS-01 FEA-01 INT-05

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E.O. 11652: N/A

TAGS: EINV, ETRD, AR

SUBJECT: ARGENTINE NATIONALIZATIONS; GSP ELIGIBILITY

REF: (A) BUENOS AIRES 7604; (B) BUENOS AIRES 7583

1. SUMMARY: SMITH (DIRECTOR EB/IFD/OIA), ROGERS (DIRECTOR ARA/ECP) AND ECOM COUNSELOR BEAL DISCUSSED ARGENTINE NATIONALIZATION ISSUES IN MINISTRIES OF ECONOMY AND FOREIGN AFFAIRS. STRESSED URGENCY OF CONCRETE STEPS TOWARDS SOLUTIONS. RESPONSES SHOWED GOOD UNDERSTANDING OF SITUATION AND NEED FOR PROMPT ACTION. CONCRETE PROGRESS INDICATED IN CHASE AND STANDARD ELECTRIC CASES, SOME PROMISE ON PETROLEUM CASES, AND RELUCTANCE TO ACT ON DELTEC CASE WHILE CASE IN ARGENTINE COURTS. FOREIGN MINISTRY EMPHASIZED DETERMINATION IN GOA TO SETTLE CASES CITING NEW POLITICAL WILL COMPARED TO THREE MONTHS AGO. END SUMMARY.

2. IN CALL ON JAVIER VILLANUEVA, ASSISTANT TO DI TELLA, SECRETARY FOR PROGRAMMING AND ECONOMIC COORDINATION, SMITH, AS STAFF DIRECTOR CIEP INTER-AGENCY EXPROPRIATION

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COORDINATING GROUP, EXPLAINED SITUATION UNDER U.S. LAWS

THAT REQUIRES MAJOR REVIEW OF EXPROPRIATION CASES PRIOR
IMPLEMENTATION GSP. STRESSED RELEVANCE OF DECISION ON
GDP FOR DETERMINATIONS UNDER HICKENLOOPER AND GONZALEZ
AMENDMENTS. STATED U.S. THEREFORE NEEDS CONCRETE STEPS
AS SOLID EVIDENCE OF STATED ARGENTINE INTENTION TO SETTLE
FIVE LONG STANDING INVESTMENT DISPUTES.

3. VILLANUEVA EXPRESSED FULL UNDERSTANDING OF U.S. SITUATION AS DESCRIBED AND GAVE FOLLOWING STATUS REPORT ON CASES:

A. CHASE: VILLANUEVA CONFIRMED THAT SOLUTION TO CHASE PROBLEM IS BEING PURSUED IN TWO PARTS.

(1) BILL HAS BEEN PRESENTED TO LEGISLATURE THAT WILL PERMIT CHASE TO ESTABLISH INVESTMENT BANK. (CHASE ARGENTINA VP LEON SUBSEQUENTLY CONFIRMED REAL PROGRESS ON THIS ELEMENT OF SOLUTION, STATING THAT BILL IS SATISFACTORY TO CHASE.)

(2) CONCERNING COMPENSATION, VILLANUEVA SAID GOA HAD AGREED ON SYSTEM FOR PAYING CHASE. HE SAID NO LEGISLATION NECESSARY FOR THIS STEP, WHICH CAN TAKE PLACE BY DECREE. (LEON CONFIRMED GOOD PROGRESS MADE HERE, TOO, IN WORKING OUT CONTRACT THAT WILL BE BASIS FOR COMPENSATION, ALTHOUGH NO AGREEMENT YET REACHED ON AMOUNT OR FORM OF PAYMENT. HE INDICATED CHASE UNDERSTANDING THAT CONCURRENCE OF SECRETARY OF STATE FOR FINANCE STILL NEEDED BEFORE SERIOUS NEGOTIATION OF AMOUNT AND FORM OF COMPENSATION CAN TAKE PLACE. LEON EMPHASIZED THAT ECONOMY MINISTRY, CENTRAL BANK AND OTHERS INVOLVED HAVE BEEN VERY COOPERATIVE. HE ADDED THAT CHASE UNDERSTANDS NEED FOR TIME IN ORDER TO WORK OUT ARRANGEMENTS.)

B. STANDARD ELECTRIC: VILLANUEVA SAID GOA PROCEEDING IN THIS CASE ALSO WITH TWO APPROACHES:

(1) VILLANUEVA EXPECTED THAT MINISTER OF ECONOMY WOULD SIGN DECREE AUTHORIZING ENTEL TO RESUME PUR-LIMITED OFFICIAL USE

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CHASING FROM STANDARD. NO LEGISLATION NEEDED. THIS WOULD PUT FIRM BACK TO WORK AGAIN IN NEAR FUTURE.

(2) VILLANUEVA SAID GOA HAD AGREED AT SUB-SECRETARY LEVEL TO AUTHORIZE STANDARD TO SELL 60 PERCENT OF ITS SHARES TO ARGENTINE PRIVATE INVESTORS OVER PERIOD OF 180 DAYS. HE EXPECTED AGREEMENT AT MINISTERIAL LEVEL MOMENTARILY. AGAIN, NO LEGISLATION IS NEEDED FOR THIS

STEP.

(3) VILLANUEVA THOUGHT, BUT COULD NOT CONFIRM, THAT ITT/STANDARD HAD BEEN INFORMED OF THESE ACTIONS PREVIOUS DAY.

C. EXXON, AMOCO AND CITIES SERVICE: PROPOSED SOLUTIONS, INCLUDING PLAN FOR SELLING EXXON ASSETS TO PRIVATE ARGENTINE INTERESTS AND PROPOSAL FOR NEW LAW THAT WOULD COVER AMOCO AND CITIES SERVICE CASES, DEPENDS ON DECISIONS TO BE MADE BY MINISTER OF ENERGY AND IN PARTICULAR ON OUTCOME OF MISSION FROM ENERGY MINISTRY TO U.S. AND EUROPE ANNOUNCED THIS WEEK. (FYI: GOA HIGHLY SENSITIVE REGARDING FACT THAT DISCUSSIONS MAY INCLUDE SUBJECT OF NATIONALIZATION. WE SHOULD AVOID DISCLOSURE OF ANY INTENTION IN THIS REGARD. END FYI.)

D. DELTEC: VILLANUEVA HAD NOTHING NEW TO ADD ON THIS CASE. HE CONFIRMED HIS UNDERSTANDING THAT GOA IN DIFFICULT POSITION TO TAKE ANY ACTION REGARDING DELTEC CASE WHILE MATTER IS IN HANDS OF ARGENTINE COURTS.

4. IN CALL ON AMBASSADOR BECKMANN, FONMIN SUB-SECRETARY OF ECONOMIC AFFAIRS, AND DIRECTOR OF NORTH AMERICA AFFAIRS MEDUS, ROGERS PLACED NATIONALIZATION PROBLEMS IN CONTEXT OF OVERALL U.S. POLICY TOWARDS DEVELOPING COUNTRIES AND PARTICULARLY LATIN AMERICA AS EXPRESSED IN SECRETARY'S SEPTEMBER 1 UNGA ADDRESS. STRESSED HOPE THAT NATIONALIZATION CASES AND REACTION REQUIRED UNDER U.S. LAWS WOULD NOT STAND IN WAY OF POSITIVE IMPLEMENTATION OF THIS CONSTRUCTIVE POLICY APPROACH TOWARD ARGENTINA. BECKMANN AND MEDUS EXPRESSED FULL UNDERSTANDING AND AGREEMENT CONCERNING IMPORTANCE OF CASES TO OVERALL U.S./ARGENTINE LIMITED OFFICIAL USE

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RELATIONSHIP. THEY STATED THAT POLITICAL WILL TO SETTLE CASES EXISTS TO GREATER DEGREE THAN APPARENT EVEN THREE MONTHS AGO. BECKMANN CONFIRMED AND EMPHASIZED STATEMENT MADE TO CHARGE BY DEPUTY FONMIN BELTRAMINO (REF B) THAT GOA DECISION HAS BEEN MADE TO SETTLE CASES.

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